

## Reminder to FHA Lending Industry

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### Federal Tax Debt or Lien FAQ

**Question:** Is a borrower eligible for an FHA- insured mortgage if they have delinquent Federal tax debt or a tax lien?

**Answer:** A borrower with a delinquent Federal tax debt or tax lien is not eligible until the delinquent account is brought current, paid, otherwise satisfied, or a satisfactory repayment plan is made between the borrower and the Federal agency owed.

Tax liens may remain unpaid provided the lien holder subordinates the tax lien to the FHA-insured mortgage and written verification of the repayment plan is provided. If any regular payments are to be made, they must be included in the qualifying ratios.

The Internal Revenue Service (IRS) routinely takes a second lien position without the need for independent documentation of lien subordination. For this reason, unpaid IRS tax liens, with a satisfactory repayment plan, do not jeopardize eligibility for FHA mortgage insurance, unless the lender has information that the IRS has demanded a first-lien position.

Although eligibility for an FHA-insured mortgage may be established by performing the actions described above, the overall analysis of the creditworthiness must include consideration of a borrower's previous failure to make payments to the Federal agency in the agreed-to manner and must document its analysis of how the previous failure does not represent a risk of mortgage default.

**Note:** Regardless of a TOTAL Mortgage Scorecard “Accept” recommendation, the lender remains accountable for compliance with FHA borrower, co-borrower and cosigner eligibility requirements.

**Reference:** HUD 4155.1 4.A.2.f, h, and i.